# GOVERNMENT OF INDIA
# URBAN DEVELOPMENT AND POVERTY ALLEVATION
# LOK SABHA

UNSTARRED QUESTION NO:1135
ANSWERED ON:25.02.2003
REPAYMENT OF DEBTS
P.C. THOMAS

**Will the Minister of URBAN DEVELOPMENT AND POVERTY ALLEVATION be pleased to state:**

(a) whether the Housing and Urban Development CorporationLtd. has entered into a Memorandum of Understanding with Kerala State Housing Board regarding repayment of debts; and

(b) if so, the details and stages of implementation thereof?

## Answer

MINISTER OF STATE IN THE MINISTRY OF URBAN DEVELOPMENT & POVERTY ALLEVIATION ( SHRI PON RADHAKR )

(a): Yes, Sir.

(b): Details of terms agreed to between Housing & Urban Development Corporation Ltd. (HUDCO) and Kerala StateHousing Board (KSHB)are given in Annexure. The MoU has been implemented and the repayment has been received till date in terms of MoU signed.

ANNEXURE

ANNEXURE REFERRED TO IN REPLY TO PART (b) OF LOK SABHA UNSTARRED QUESTION NO. 1135 FOR 25.2.2003

1. Kerala State Housing Board (KSHB) and Housingand Urban Development Corporation Ltd. (HUDCO) will sign two agreements; one for the outstanding loan of EWS category and the otherfor the outstanding loan of LIG, MIG, HIG and Commercial as per the earlier figure of Rs.677.22 crores and Rs.386.20 crores respectively. The weighted average interest rate would be 9.91 per cent for EWS (Rs.677.22 crores) 13.97 percent for the other category(Rs.386.20 crores). However, the discrepancies noted shall be looked into by HUDCO and the matter will be takenup with respective authorities for waiving the additional interest rate charged on this category (i.e. 10 per cent instead of 9 per cent and 12 per cent instead of 10 per cent). If the authorities of HUDCO agree to reduce the interest to 9 per cent and 10 per cent respectively, the weighted average interest would be 9.41 per cent for Rs.677.22 crores and 14.17 per cent for Rs.386.20 crores and in that event the interest rates in the Package Loan Agreements I & II will bemodified accordingly. The interest accrued upto 30th June,2002 is being capitalised and added to the respective accounts and the total amout of accrued interest upto 30th June,2002 works out to Rs.121 crores (Rs.67.12crores for EWS loan and Rs.53.88 crores for LIG, MIG, HIGand Commercial loan), which will increase the amount of total package to Rs.1184.42 crores. Accordingly, the agency shall be paying interest due for the quarter ending 30th September, 2002 onwards which is part of the agreed telescopic repayment.

2. While rescheduling the loan with effect from the quarter ending September, 2002, the net weighted average interest rate as mentioned in previous para will be taken for calculating interest. However, if KSHB defaults in repayment as per revised schedule, HUDCO will charge penal interest of 2.5% per annum for the default amount till it is repaid.

3. The escrow account will be operated as agreed between KSHB and HUDCO. The repayment of HUDCO will be on quarterlybasis. However, after deducting the amount required for salary, debt servicing of other institutions and the amount required for ongoing projects which is approximately Rs.3.00 crores per month, the balance amount will be transferred every month to HUDCORegional Office account to the credit of KSHB.HUDCO shalladjust such amounts firstly towards for penal interest, and thereafter towards principal loan amount proportionately for both the loan cards. In the last month of the quarter, the balance payment, if any, shall be paid by the KSHB which will be adjustedagainst the principal and interests as the case may be so that quarterly instalments are fully paid. At the end of each quarter, in case there is any shortfall in the amount available in the escrow account, the same shall be released by the State Government as part of budgetary support as per the Government Order dated 25.9.2001 of Government of Kerala.

4. The KSHB will have option to foreclose the LIG, MIG, HIG and Commercialcomponent of the loan by availing institutional finance/own resources without any prepayment charges. In the event of foreclosure of HUDCO loan as per above, therepayment to such financial institutions will also be apportioned from the Escrow Account subject to approval of HUDCO. However, a committee will be constituted under the Chairmanship of the Secretary (Housing), Government of Kerala, Housing Commissioner &Secretary, KSHB, Finance Manager, KSHB and the Regional Chief ofHUDCOas members to discuss the issues relating to appropriation of repayment to HUDCO and other institutions from timeto time. The Escrow Account shall be maintained in accordance with the terms and conditions of the Escrow Agreement signed separately for the said purpose.

5. During the currency of the said arrangement, the KSHB shall notopen any other accounts in any Banks without the prior consent of HUDCO.

6. The deferment charges of Rs.48.00 lakhs will be paid by the KSHB as earlier agreed and the default resolution package agreed hereto shall come into force upon payment of the said deferment charges.

7. Repayments of the loans would be made mainly through collection of dues from beneficiaries of various schemes, rentals and other receivables alongwith Govt. of Kerala contribution whatsoever and this shall be credited to the Escrow Account, which shall be operated jointly by KSHB and HUDCO and the entire operations will be monitored by the committee constituted under the chairmanship of the Principal Secretary, Housing, Govt. of Kerala including the appropriation of receivables for debt servicing to HUDCO and other utilization.

8. KSHB expects to collect the receivables from various sources andthis amount together with Government of Kerala contribution which would be utilised for quarterly repayment of HUDCOloan together with interest. The Government Order dated25.9.2001 indicating the projected collection of receivables from KSHB and also the government contribution will be read as part of the MoU for the purpose. Any surplus amount after making repayment to HUDCO loan for the given financial year would be utilized by KSHB for its operational needs as mentioned above.

9. In the event of KSHB being unable to collect the receivables ascontained in previous para for any reason whatsoever, Government of Kerala shall make good any such shortfall in collection of revenue by KSHB and Government of Keralafurther undertakes that repayment to HUDCO would be ensured in timely manner as per the revised package loan agreements.

10. Finance Department of Government of Kerala shall make necessary budgetary provision to meet its obligations under this MoU.

11. Government of Kerala will issue two consolidated guarantees for the repayment of the KSHB loan, one for the outstanding loan of EWS category and the other for the outstanding loan ofLIG, MIG, HIG and other commercial schemes and upon satisfactory execution of the said consolidated guarantees, HUDCOwould return all the guarantee documents issued earlier for the schemes pertaining to KSHB and which are covered under the package loans.

12. KSHB and HUDCO would enter into fresh loan agreementsone for the outstanding loan of EWS category and the other forthe outstanding loan of LIG,MIG,HIG and other commercial schemes with regard to the repayment of loans with interest and other charges and upon satisfactory execution of package loan agreement, HUDCOwould return all the agreement documents concerning the KSHB schemes.

13. Government of Kerala shall nominate HUDCO`s Regional Chief, Trivandrumto be a member of the Board of KSHB and would also monitor the escrow account opened by KSHB.

14. KSHB and HUDCO will execute further documents to make a binding contract among themselves.

15. KSHB and HUDCO will also add any other condition or delete ormodify any of the conditions prescribed above with mutual consent.

16. In the event of default by KSHB of the loan or paymentof interest or other charges, HUDCO may recall the entire loan together with interest and all other monies with penal charges as may be decided by HUDCO.

17. KSHB would work out a reform agenda for institutional reforms in organizational and financial restructuring for overall improvement of the Board specifically on the following issues:-

# Comprehensive institutional reforms including organisational and manpower restructuring of the implementing agency.

# Appointment of turn key contractors on open tender basis for implementation and maintenance for minimum period of 5 years on completion.

# Appointment of third party experts for quality control in Project Implementation appointment of Project Management consultant for Monitoring and Supervision of project implementation.

# Appointment of Financial Management Consultant for finalisation of escrow agreement/opening of escrow account/utilisation of funds, verification of financial viability and cash flow during the entire project period.

# Expanding and strengthening of estate management/recovery mechanism.

# Setting up of customer support and marketing cells maintenance of separate project accounts, including opening of Escrow Account to which revenue will be directed in a structured escrowable manner including changing of the accounting system to commercial accounting/structuring of receivables.

# Establishment of regulatory authority for implementing commercial discipline as well as new management systems.

# Computerisation of accounts, land audit, beneficiary account audit, changing the accounting to commercial accounting etc.,

# Structuring of receivables of KSHB and effective cash flow system.

# To formulate committee consisting of representative of housing department, finance and financial institutions to review and monitor the schemes with no time and cost over-runs and to adopt such methods which prevents time and cost over-runs.